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INDUSTRIAL PRODUCTION FIGURES FOR JANUARY 1988

Product	Produced in January 1988	1988 as a % of 1987
Electricity (million kw hours)	161	100.8
Petroleum (million tons)	53.2	101.
Natural Gas (million cubic meters)	67.1	107.
Coal (million tons)	67.5	100.8
Steel (million tons)	13.9	103.
Fertilizer (million tons)	3.2	104.
Metal-cutting tools (thousand units)	3.6	102.
Robots	n.a.	n.a.
Computer technology (million rubles)	419	133
Tractors (million hp)	4.3	102.
Paper (million tons)	0.5	106.
Cement (million tons)	11.6	102.
Meat (million tons)	1.1	99.
Margarine (thousand tons)	141	106.
Watches	n.a.	n.a.
Radios	n.a.	n.a.
TV sets (million units)	0.7	134.
Automobiles (thousand units)	107	103.

INDUSTRIAL OUTPUT FOR JANUARY 1988

The Soviet economy seems to have functioned better in January 1988 than it did in January 1987. Contributing to this improved performance was the decidedly more favorable weather of January 1988 when compared to the exceptionally cold first few months of 1987. Since the weather was more nearly normal this year, production in many instances was higher compared to 1987, although it may actually have been lower than what was attained in January 1986.

Nonetheless, overall output does seem to be improved. In some instances output is significantly higher, although the Soviets seem to have tampered with the figures to some extent. They have shown rather high increases for some industries which they do not normally report. Thus a look at the overall statistical report shows that output in January 1988 for some products was almost 300% of what it had been a year earlier.

Some of the traditional categories of production do seem to show improvement. Most notably, petroleum extraction continues to increase and is reported as 1% higher in January 1988 than it was in 1987, thus establishing a new production high in January 1988 -- surpassing the previous record established in January 1983. On a more disappointing note, electricity generation increased only slightly, up less than 1%. This is the first time the increase has been so low many years. Meat production actually dropped on a year-by-year basis, in contrast, motorcycle production was up 22% and color television output was up 84%. Even automobile output increased 3%, breaking the trend of production increases of around 1% for the last several years.

All of this is occurring despite the presence of state quality inspectors in 2200 factories, a significant increase over the 1500 of last year. Overall, the results are positive. In fact, the Soviets report that the growth of industrial production rose 4.7%.

It is difficult to tell, however, if what seems to be an improvement in some industries is a consequence of the switch to the new emphasis on self-financing and a diminution in the role of the ministries and Gosplan. As yet we do not know the full composition of all the industries which are producing the 60% of Soviet output and who have been assigned the new forms of operation.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE FIRST 9 MONTHS OF 1987

Soviet economic pressure on Eastern Europe continues. Compared to the first nine months of 1986, exports from the Soviet Union to Eastern Europe dropped by over a billion rubles in the first nine months of 1987. At the same time, imports from the area rose by over a half billion rubles. Thus, whereas in 1986 the Soviet Union had a trade surplus with Bulgaria, in 1987, they were importing more from Bulgaria than they were exporting. The same situation holds for Czechoslovakia. The Soviets now have trade surpluses only with the

German Democratic Republic, Poland, and Romania. This suggests that as part of the reform process, the Soviets are making greater economic demands of their East European allies.

NEW RADICAL PROPOSAL SUGGESTED BY SOVIET ECONOMIST, L. NIKIFOROV

In an article in Ekonomicheskaya Gazeta, the economist L. Nikiforov, of the Institute of Economics of the USSR Academy of Sciences, suggested that the time may have come not only to increase the use of rent, but of the sale of stock. He particularly is interested in selling stock to employees, but he recognizes that it might be sold to the general public as well. He also is well aware of the ideological consequences, but argues that it would produce results and make it possible to mobilize the savings of the Soviet population in a way that is not now feasible. This seems to be one of the most far-reaching suggestions that has come out of recent discussions about economic reform. This does not mean that the policy is being adopted. However, it has been reported that a company intended to grow vegetables during the winter was formed in Lvov and is selling stock to individuals, both workers and peasants. Shares can also be pur-chased by other enterprises in the area.

12th ANNUAL ARDEN HOUSE CONFERENCE

U.S. Ambassador Jack Matlock has reconfirmed his intention to deliver the keynote address at this year's Arden House conference. He will be back in the country for the meeting between Secretary of State George Shultz and Foreign Minister Eduard Schevardnadze, scheduled for March 22.

Another addition to the conference will be the presence of Congressman Les Aspin. Congressman Aspin spoke last year and will attend as a guest this year. We anticipate that even though he will make no formal presentation, Congressman Aspin will be unable to restrain himself, particularly during those those panels dealing with arms control. He expects to be in attendance for the entire weekend.

Those who have not already sent in their applications are urged to send them in as quickly as possible.

RUSSIAN RESEARCH CENTER ORGANIZES EXCURSION TO THE USSR

PERESTROIKA AND *GLASNOST'* IN THE SOVIET UNION

The Russian Research Center is organizing a working excursion to the Soviet Union. The purpose of our trip is to familiarize participants with the current state of economic reforms being implemented by General Secretary Gorbachev. Unlike the usual tourist visit, we will combine some sightseeing with a four-day series of professional meetings in Moscow.

Briefings and discussion sessions will be provided throughout the trip. Topical meetings have been scheduled with some of the leading Soviet proponents and implementors of the reform. To round out the program, we have arranged meetings and information sessions with American journalists, diplomats and businessmen working in Moscow. This will give us a chance to hear first-hand about the progress of the reforms from both Soviet and American perspectives.

The trip is scheduled to leave the United States on Thursday, September 1 and return on Saturday, September 10. We have purposely planned this trip around the Labor Day weekend in order to reduce the number of working days spent outside the USA.

The trip will begin with three days in Leningrad, where there will be some of the more traditional sightseeing and entertainment, and will then move to Moscow for the business and information meetings, which will be broken up by a Wednesday trip to a historic city such as Suzdal. Evening cultural performances will be arranged as well.

This is a trip designed to provide our participants with the type and degree of exposure that those of us doing research on the Soviet Union normally experience. The expectation is that the trip will be led by Marshall Goldman and Catherine Reed of the Russian Research Center. We anticipate the cost will be somewhat higher than might be found in standard tourist trips to the USSR. The difference in cost is chiefly due to the decision to fly business-class and also to allow participants to make a contribution to the Russian Research Center. The cost of the trip will be as follows:

Business class, dbl occupancy:	$6,000 per person
Business class, single room:	$6,500 per person
Economy class, dbl occupancy:	$5,000 per person
Economy class, single room:	$5,500 per person
Land only (you arrange your air travel independently):	
for double occupancy:	$3,500 per person
for single occupancy:	$4,000 per person

Two thousand dollars of the fee is considered a charitable contribution to the Russian Research Center. There will be room for 24 people, and we already have several reservations. A brochure giving more information is enclosed. If you are interested, please write or call Catherine Reed for more information.

The Russian Research Center takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed.

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SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE 1ST NINE MONTHS OF 1981-1987

(in million rubles)

	Exports from U.S.S.R.							Imports to U.S.S.R.						
	1981	1982	1983	1984	1985	1986	1987	1981	1982	1983	1984	1985	1986	1987
Bulgaria	3225	3546	4141	4661	4788	4842	4644	2751	3245	3720	4122	4425	4442	4856
Czecho-slovakia	3108	3728	4270	4948	5002	5116	5032	3060	3513	4018	4422	4806	4778	5035
GDR	4037	4587	4992	5385	5619	5852	5582	3861	4270	4879	5576	5619	5228	5173
Hungary	2445	2711	2951	3298	3318	3486	3398	2413	2710	2957	3178	3513	3600	3766
Poland	3667	3581	3868	4450	4804	5091	4778	2419	2882	3485	3843	3960	4316	4355
Romania	1111	1013	1199	1352	1351	2062	1819	1237	1323	1280	1340	1657	1859	1729
	17593	19166	21421	24094	24382	26449	25253	15741	17933	20339	22481	23980	24223	24914
Balance of Trade	+1852	+1283	+1082	+1613	+902	+2226	+339							

Is There More Show Than Substance to Soviet Layoffs?

By MARSHALL I. GOLDMAN

Mikhail S. Gorbachev has quickly discovered that the benefits and the bounties of more reliance on the market are just what the lagging Soviet economy needs, but they come at a high price.

In particular it is impossible to produce responsively and efficiently and to increase productivity as long as enterprise managers have no need to trim their bloated work forces. But that means, among other things, massive firings—something that the Soviet economy has generally avoided. The Soviets have long insisted that the guarantee of full employment is one of the true advantages of their society. Indeed, freedom of the fear of being fired has often been cited as a basic Soviet human right, absent in the Western world.

Against that background, the announcement in Pravda that as many as 16 million Soviet workers will have to find new jobs by the year 2000 has inevitably generated enormous unease. This could involve 13% of the Soviet work force. Considering that a 10% unemployment rate in the United States is a source of political disquiet, imagine what an even higher Soviet rate would mean, particularly since the Soviet Union has never experienced anything comparable. That explains in part why a survey of Siberian workers found that only 30% supported Gorbachev's reforms. Those opposed have gone so far as to strike, and in one extreme case—in the Turkmen Republic—to murder one of the officials responsible for implementing the reforms.

So far, however, the specter has been more dramatic than the reality. There have been a few widely reported large-scale layoffs. More than 12,000 workers were fired from the Belorussian railroad system in 1985 and 1986. The experiment was then extended to several other railroads and subway lines, with the loss of an additional 100,000 or more jobs. This was predicated in part on an earlier experiment from the 1960s when several hundred workers were fired from the Schkino chemical plant.



PUNCH

But even in the railroad and chemical-factory examples there is often more show than substance. The Soviets call it *pokazuha*, and it can best be described by recalling the newspaper announcements that more than 60,000 bureaucrats in the Moscow ministries and the state planning organization would be released by 1990. After considerable grumbling, the report was quickly amended to only 38,000. Now some wonder if in the end there will be any meaningful reduction at all.

What has happened is that while members of the ministries may actually lose their present jobs, the result in terms of improved productivity are insignificant, if not actually diminished. To generate support for the process, those who are not released are promised that they will be able to share the wages of their former colleagues. Thus the total wage bill will remain much the same. But it turns out that, as often as not, productivity actually suffers. The reason is that those released, particularly from white-collar jobs, generally seem to end up doing much the same thing that they were doing before.

In some instances, as in the Ministry of Finance and Gosplan, a new institute was set up, in part for the specific purpose of absorbing those who were fired. Far from being improved, productivity actually suffers. There are now two payrolls to pay—not a reduced one. It is a bit like playing musical chairs—except that, instead of reducing the number of chairs, the chairs are increased.

Since we sometimes have difficulty reducing the size of the work force in the United States, particularly within government agencies, the fact that the Soviet process is not proceeding smoothly should not surprise us.

Soviet economists, however, are particularly concerned about the lack of an infrastructure to handle the new task. In part this is a consequence of the Soviets' insistence, at least until recently, that there was no such thing as unemployment in the Soviet Union. If it did not exist, why do anything to cope with it?

Soviet employment offices were officially created in 1987, but they never took on any meaningful function. Thus the Soviets now find themselves ill prepared to handle the relocation process that sooner or later they will have to undergo. For example, they have no computer base listing available jobs, and no facilities for retraining. Moreover, moving from city to city in the Soviet Union is not an easy process. Police permits must be obtained, and there is no such thing as United Van Lines or U-Haul. Clearly this will have to change.

Some Soviet spokesmen insist that finding alternative jobs will not be difficult. After all, there is an enormous shortage of labor. Those who are fired have ample alternatives. But what these Soviet observers fail to realize is that once Soviet enterprises find themselves forced to take lower productivity seriously, those unfilled jobs will disappear. Then the system will indeed begin to become more productive. What is uncertain, however, is whether or not the system and the leaders will survive such a bold upheaval.

Marshall I. Goldman is a professor of economics at Wellesley College and the associate director of the Russian Research Center at Harvard.